JOINT COMMITTEE ON TAXATION
JCX-17-86
AUGUST 1, 1986

PRELIMINARY

DISTRIBUTIONAL EFFECTS OF THE HOUSE BILL, THE SENATE BILL, AND THE POSSIBLE HOUSE OFFER FOR 1988

[1988 Income Levels]

INCOME CLASS [Thousands of 1986 dollars]	PERCENTAGE CHANGE IN INCOME TAX LIABILITY		
	House Bill	Senate Bill	Possible House Offer
Less than $10.....	-64.3	-56.6	-62.5
$ 10 - 20.....	-23.0	-21.2	-22.4
20 - 30.....	-9.3	-9.7	-10.6
30 - 40.....	-9.2	-7.2	-8.6
40 - 50.....	-7.8	-9.4	-10.4
50 - 75.....	-7.1	-3.1	-3.1
75 - 100.....	-5.4	-2.2	-2.3
100 - 200.....	-5.9	-1.2	-1.5
200 and above.....	-5.2	-4.9	-5.0
Total.....	-8.6	-7.0	-7.6

Joint Committee on Taxation
August 1, 1986

J862-32

PRELIMINARY

TAXPAYERS WITH INCREASES AND DECREASES IN TAX LIABILITY UNDER THE SENATE BILL AND UNDER THE POSSIBLE HOUSE OFFER FOR 1988

[1988 Income Levels]

Income Class [Thousands of 1986 Dollars]	Number of Returns with Tax Decrease		Number of Returns with Tax Increase	
	Senate Bill	Possible House Offer	Senate Bill	Possible House Offer
$ 0 - $ 10.....	12,584	12,603	1,674	1,652
10 - 20.....	23,032	24,061	5,144	4,046
20 - 30.....	17,226	17,630	5,219	4,792
30 - 40.....	10,555	11,200	4,162	3,488
40 - 50.....	6,989	7,285	1,835	1,543
50 - 75.....	5,216	5,266	2,571	2,520
75 - 100.....	1,123	1,126	708	705
100 - 200.....	957	968	690	679
200 + ...	362	363	286	284
Total.....	78,047	80,513	22,285	19,704
Percent of Total....	77.8	80.3	22.2	19.7

Joint Committee on Taxation
August 1, 1986

PRELIMINARY

DISTRIBUTIONAL EFFECTS OF THE SENATE BILL AND THE POSSIBLE HOUSE OFFER IN 1987

[1987 Income Levels]

INCOME CLASS [Thousands of 1986 dollars]	PERCENTAGE CHANGE IN INCOME TAX LIABILITY	
	Senate Bill	Possible House Offer (with Stagger Relief)
Less than $10.....	-36.8	-50.8
$ 10 - 20.....	-9.6	-15.3
20 - 30.....	-5.5	-10.0
30 - 40.....	-2.8	-8.9
40 - 50.....	-1.9	-10.7
50 - 75.....	4.4	-3.9
75 - 100.....	7.2	0.4
100 - 200.....	9.6	2.8
200 and above.....	10.7	9.8
Total.....	2.2	-3.4

Joint Committee on Taxation
August 1, 1986

PRELIMINARY

TAXPAYERS WITH INCREASES AND DECREASES IN TAX LIABILITY UNDER THE SENATE BILL AND UNDER THE POSSIBLE HOUSE OFFER FOR 1987

[1987 Income Levels]

Income Class [Thousands of 1986 Dollars]	Number of Returns with Tax Increase		Number of Returns with Tax Decrease	
	Senate Bill	Possible House Offer	Senate Bill	Possible House Offer
$ 0 - $ 10.....	1,938	1,730	12,292	12,359
10 - 20.....	5,067	4,366	21,901	22,649
20 - 30.....	5,360	4,464	15,887	16,814
30 - 40.....	4,662	3,234	9,670	11,091
40 - 50.....	3,099	1,346	5,603	7,357
50 - 75.....	4,047	2,270	3,593	5,377
75 - 100.....	1,063	716	714	1,062
100 - 200.....	908	681	666	889
200 + ...	332	300	272	303
Total.....	**26,476**	**19,108**	**70,597**	**77,901**
Percent of Total....	**27.3**	**19.7**	**72.7**	**80.3**

Joint Committee on Taxation
August 1, 1986

Individual Income Tax Provisions for 1987

Possible House Offer	Senate Bill
1. Tax Rate Schedules	
The new rate schedules provided by the Senate bill are effective for the full year. For 1987, two additional rates are provided. A 35% rate begins at taxable income of $50,000 for joint returns, $45,000 for heads of households, and $30,000 for singles. A 40% rate begins at taxable income of $100,000 for joint returns, $85,000 for heads of households, and $60,000 for singles.	Blended rates, assuming 14 present-law rates are in effect for one half of 1987 and that the new rate schedules are in effect for the other half. Blended tax rates for 1987 range from 13% to 38.5%.
2. Phase-outs	
There are no phaseouts of lower brackets or of personal exemptions.	The benefit of the 15% bracket is phased out at a 2.5% rate for AGI in excess of a specified amount. The benefit of the personal exemption is phased out at a 5% rate beginning at the AGI level at which the benefit of the 15% rate is totally phased out.
3. Standard Deductions	
The standard deduction amount is $4,600 for married individuals filing jointly, $4,100 for heads of households, and $2,800 for single individuals.	The standard deduction is $3,760 for married individuals filing jointly and $2,540 for heads of households and single individuals.
4. Personal Exemptions	
The personal exemption amount is $1,900.	Same as House offer, but the amount is phased out for AGI in excess of specified amounts.
5. Capital Gains	
Capital gains are taxed as ordinary income to the extent that the applicable rate does not exceed 27%.	Same as House offer.

CAPITAL COST RECOVERY

Cost Recovery Classes:

3-year 200% Class	ADR midpoints of 4 years and less, except excludes automobiles and light trucks.
5-year 200% Class	ADR midpoints of more than 4 years and less than or equal to 8 years, and adding automobiles, light trucks, race horses, clothing held for rental, qualified technological equipment, and computer-based central office switching equipment.
7-year 200% Class	ADR midpoints of more than 8 years and less than or equal to 12 years, including property with no ADR midpoint not classified elsewhere.
10-year 200% Class	ADR midpoints of more than 12 years and less than 20 years, and adding single-purpose agricultural or horticultural structures.
15-year 200% Class	ADR midpoints of 20 years and less than 25 years, including sewage treatment plants, and telephone distribution plant and comparable equipment used for the transmission of information.
20-year 150% Class	ADR midpoints of 25 years and more, other than real property, and including sewer pipes.
30-year Straight-line Class	Real property not classified elsewhere.